Prince Edward Island
Department of Tourism

Annual Report

2000-2001

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Minister's Message

The Honourable J. Léonce Bernard
Lieutenant Governor of Prince Edward Island

May It Please Your Honour:

I have the honour to submit herein the annual report for the activities of the Department of Tourism for the period April 1, 2000, to March 31, 2001.

Respectfully submitted,

Gregory J. Deighan
Minister of Tourism

Deputy Minister's Message

The Honourable Gregory J. Deighan
Minister of Tourism
PO Box 2000
Charlottetown, PE C1A 7N8

Honourable Minister:

It is my pleasure to present the annual report of the Department of Tourism for the period April 1, 2000, to March 31, 2001.

Tourism is an integral part of Prince Edward Island, its people and their economy. This past year has provided many opportunities to recognize the value of our industry as an engine of growth. This is an industry that is strong and offers significant, sustainable opportunities for the future. There are a number of factors which impact this industry, some of which extend beyond our control, including the state of international economies, changing demographics, weather conditions and world events, all of which have a profound influence on how, when and if people travel to our province. However, we can effect change by assuming a leadership role in the provision of quality research, world-class marketing and superior product development. We can create an environment which will facilitate growth in this industry. Competition in the tourism industry grows stronger every day with more and more destinations competing for our traditional markets. We must work hard to capture the interest of potential travellers and maintain PEI's position as a premier vacation destination.

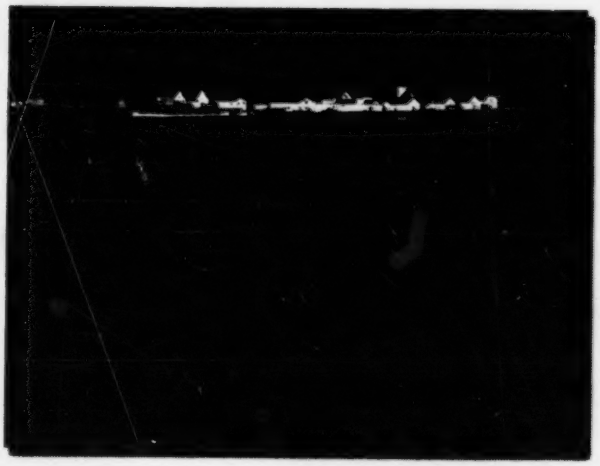
I wish to thank you and your government for the support and commitment you have demonstrated to our industry. I also wish to acknowledge the dedication and hard work of Tourism PEI staff and of our industry partners, many of whom contribute many volunteer hours of effort to various advisory boards, commissions and committees.

Yours truly,

Frank Butler
Deputy Minister
Department of Tourism

Tourism PEI

Tourism is a significant component of the province's economy. The impacts are wide reaching and varied, cutting across all sectors, supplying income and employment opportunities throughout the province. The industry is sustainable and will continue to play an important role in the future stability, diversification and growth of the Island's economy.



Although we tend to measure the state of the tourism industry by how many visitors we are able to attract, and how many dollars they spend in our province, it is also important to examine the industry relative to other sectors within the provincial economy.

Tourism is not classified as a single industry but is defined as a group of operating units or establishments engaged in the same or similar kind(s) of economic activity, e.g., hotels, restaurants, airlines and department stores supplying goods and services for tourism[1]. Statistics Canada does not classify tourism as an industry in the traditional sense. A "tourism industry" is defined so, if:

a) it provides tourism commodities to visitors, and

b) it would cease to exist without tourism or would continue to exist only at a significantly reduced level of activity.

This method of identification makes it difficult to measure the "worth" of the tourism industry in its entirety.

In measuring growth in the industry, Quality Tourism Services Inc. estimates that from 1998 to 2001, 200 new accommodation properties have been developed within the province consisting of approximately 900 new units. The current plant consists of approximately 1,100 roofed accommodation properties with approximately 7,000 units.

In terms of overall growth in visitors and dollars spent, the industry has experienced unprecedented growth over the 1996 pre-bridge era, however, more recent visitation and expenditure figures demonstrate a levelling off.

In 2000, we estimate that 1.18 million pleasure and business visitors came to Prince Edward Island between the period of May 15 to October 31 and spent approximately $301.1 million. Although these numbers represent a slight decline from the previous year, our visitation is significantly higher from pre-bridge days showing exceptional growth from a 1996 level of 788,300 (approximately 50 per cent). The same can be said for expenditures which have increased by approximately 76 per cent from the 1996 level of $171.2 million.

[1] *Statistics Canada, Guide to the National Tourism Indicators: Concepts and Definitions, Catalogue No. 13-594-GPE, 1996.*

Tourisme Î.-P.-É.

Le tourisme forme une composante importante de l'économie de la province. Les retombées sont diverses et de grande envergure, devançant tous les secteurs, fournissant des revenus et des possibilités d'emploi partout dans la province. L'industrie est renouvelable et continuera à jouer un rôle de premier plan pour la stabilité, la diversification et la croissance économique future de l'Île.

Bien que nous ayons tendance à mesurer l'état de l'industrie du tourisme par le nombre de visiteurs que nous pouvons attirer et la somme d'argent qu'ils dépensent dans notre province, il est également important d'examiner cette industrie en relation avec les autres secteurs de l'économie de la province.

On ne classe pas le tourisme comme une industrie indépendante, mais on la décrit comme un groupe d'unités administratives ou d'établissements engagés dans un même type d'activité économique, ou un type semblable, c'est-à-dire les hôtels, les restaurants, les entreprises de transport aérien et les grands magasins offrant des biens et services destinés au tourisme[1]. **Statistiques Canada ne classe pas le tourisme comme une industrie au sens traditionnel. « L'industrie du tourisme » se définit telle, si :**

a) elle offre des produits touristiques aux visiteurs, et

b) sans le tourisme, elle cesse d'exister ou ne continue d'exister qu'à un niveau d'activité considérablement réduit.

Cette méthode de classification fait qu'il est difficile de mesurer la « valeur » de l'industrie touristique dans son intégralité.

En mesurant la croissance de l'industrie, Quality Tourism Services Inc. estime que, de 1998 à 2001, on a créé 200 nouvelles propriétés d'hébergement dans la province, totalisant environ 900 nouvelles unités. Les installations actuelles comptent environ 1 100 propriétés d'hébergement, avec toit, se chiffrant à environ 7 000 unités.

Exprimé en visiteurs et en dollars dépensés, l'industrie a enregistré une croissance globale sans précédent à partir de 1996, époque d'avant le pont, toutefois, des chiffres plus récents sur les visiteurs et les dépenses indiquent une stabilisation.

En 2000, nous estimons que 1,18 million de voyageurs d'affaires et d'agrément sont venus à l'Île-du-Prince-Édouard entre la période du 15 mai au 31 octobre et ont dépensé approximativement 301,1 millions de dollars. Bien que ces chiffres représentent un léger déclin comparativement à l'année précédente, le nombre de visiteurs est manifestement plus élevé que du temps d'avant le pont, montrant une croissance exceptionnelle de 788 300, environ 50 pour cent par rapport au niveau de 1996. On peut dire qu'il en va pareillement pour les dépenses qui ont augmenté de 171,2 millions de dollars, environ 76 pour cent par rapport au niveau de 1996.

[1] *Statistiques Canada, Guide to the National Tourism Indicators: Concepts and Definitions, Catalogue No. 13-594-GPE, 1996.*

Corporate Overview

Tourism PEI is a crown corporation established in June 1999. The corporation is structured around four key operational divisions:

- Marketing;
- Development;
- Corporate Administration; and
- Policy, Planning and Research.

Department Management and Corporate Management consists of the Office of the Minister, Deputy Minister and Corporate Services staff providing leadership, overall management, administration and communication for the corporation.

	Full-time	Part-time	Total
Department Management	2	-	2
Tourism PEI			
Corporate Management	12	-	12
Development	14	18	32
Marketing	12	1	13
Policy, Planning and Research	4	-	4
Golf Links PEI Inc.	10	43	53
Total	**54**	**62**	**116**

The corporation employs 563 staff (including full-time, part-time and students) who deliver a broad range of programs and services in support of the tourism industry. Staff provide service to an extensive client base including visitors and local residents, tourism operators and organizations, community groups, municipalities and other government departments and agencies, both federal and provincial.

The following is a breakdown of these student and casual positions:

Department Management	4
Development	2
Marketing	2
Visitor Information centres	66
Provincial Parks	
Parks East and West	213
Brookvale	34
Golf Links PEI Inc.	126
Total	**447**

Tourism PEI's *mandate* identifies those critical areas upon which we base our values and principals.

> *The mandate of Tourism PEI is to work in partnership with industry stakeholders to promote Prince Edward Island as a premier destination and to enhance the economic benefits of tourism through the development and promotion of existing and new quality products and services.*

Organizational *values* for Tourism PEI are those beliefs designed to influence the behaviour of the people within the organization. These values are the rationale for selecting one form of action or activity over another. Our organizational values are:

- Staff are a valued resource.
- Visitors and private operators are our valued customers.
- The entire province will share in the wealth of the tourism industry.
- The development of the tourism industry requires a strong government/industry partnership.
- We must strive to understand industry needs and assist them to reach their goals.
- Development and marketing must be consumer driven based on sound research and be consistent with the industry's goals.
- Quality service and quality products are essential for future tourism growth.
- The facilities owned and operated by Tourism PEI and its subsidiaries are valued assets.

Operating Principles are those principles which guide the way Tourism PEI carries out its day-to-day activities and programs. These principles serve as an indicator as to whether our organizational values are being upheld or compromised. They include:

- We will provide a healthy work environment for our staff.
- We will provide quality service to our clients in response to the demand for our programs and services.
- We will promote our programs and services and ensure that they are readily available to eligible participants across Prince Edward Island.
- We will provide sound and timely policy advice to Government in areas of corporate responsibility.
- We will establish appropriate strategic alliances and cooperative working relationships with our Federal counterpart, Atlantic Provincial partners and with industry associations.
- We will establish working relationships with our Prince Edward Island Government partners in the delivery of programs and the implementation of strategic initiatives.
- We will strengthen and maintain effective relationships with industry participants and organizations throughout the province.
- We will develop and promote those facilities owned and operated by Tourism PEI and its subsidiaries, as centres of excellence.

Challenges

Industry

To focus on a number of challenges which lie ahead for the tourism industry, we will refer to a study completed in the spring of 2000 by Statistics Canada[2]. The study presented a demographic analysis on the Canadian travel market through 1980 to 1998.

In 1981, female baby boomers began bringing children into the world. As a consequence, in the 1980s a large number of baby boomers were busy raising children and doing what David Foot, author of *Boom, Bust and Echo* describes as "cocooning" – they were happy staying at home, renting videos and buying take-out food. Now that their children are growing up, the baby boom generation is slowly emerging from its cocoon. Starting in 2001, more and more of them will be retiring and the aging of the members of this generation will probably result in the greatest surge of older travellers on the Canadian travel market.

Key trends include the following:

- The Canadian Travel Survey shows that the proportion of family travel in relation to all travel by Canadians has clearly decreased between 1980 and 1998, from 42 per cent to 32 per cent.
- While it accounts for a smaller proportion of all travel, the characteristics of family travel has remained relatively constant over the last two decades – most continue to travel by car and the reason for travel is primarily to visit friends and relatives.
- The destination of family trips was closer to home and primarily taken in the summer time.
- The market of adults travelling alone was more evenly distributed throughout the year.

The challenge that lies ahead for the tourism industry is to adapt their products and services to the shift in market demand – to the "greying of the population" – baby boomers whose children have left home and who have the time and money that they did not have when their children were dependent upon them. Accordingly, as baby boomers begin to retire, families without children at home (empty nesters) will begin to dominate the marketplace.

The results of this study suggest a number of challenges that are anticipated in the marketplace.

- The proportion of adults travelling without children will continue to increase, leading to an increase in trips by plane, train and motorcoach.
- The duration of trips should increase.
- Campgrounds will see more recreational vehicles than tents.
- Hotels will see fewer families and more adults travelling alone.
- Activities such as golf and cultural tourism should become more popular.

Recognizing these changes and adapting to the trends in this market in terms of their travel patterns, their needs and wants will be the greatest challenge for the Prince Edward Island tourism industry in the coming years.

Tourism PEI

The greatest challenge for Tourism PEI will be to facilitate change within the industry to enable it to meet the demands of the marketplace while sustaining desirable growth levels.

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[2] *Statistics Canada - Travel-log, The Changing Family and the Evolution of the Canadian Family Travel Market, 1980-1998, Volume 19, Number 2, Spring 2000.*

Development Division Activity

The primary goal of the Development Division of Tourism PEI is to enhance the economic benefits of tourism through the development of new and existing tourism products. In support of this goal, the division administers a number of programs and services that benefit the province's tourism industry. The division is also responsible for the operation of a number of provincial tourism facilities including Provincial Parks, golf courses and Visitor Information centres. The division places priority on the operations of these facilities in a quality fashion and in the interest of Prince Edward Island's tourism industry.

Since the opening of the Confederation Bridge in 1997, the province has enjoyed unprecedented growth in tourism. As predicted, the bridge has significantly benefited the economic value of tourism. The Island's long-standing reputation as a vacation destination, coupled with improved access, presents a very promising future for continued tourism growth.

While the future of the industry is positive, it must be acknowledged that tourism is increasingly global in scope and that competition is fierce. To maintain its existing market and to attract new visitors, Prince Edward Island's tourism industry must be able to deliver the products and services expected by today's discriminating traveller.

Visitor Services

The 2000-2001 fiscal year marked the opening of the Island's 10th provincial Visitor Information Centre. The newest addition is located in the town of St. Peters, nestled along the Confederation Trail overlooking the beautiful St. Peters Bay. The other nine Visitor Information centres (VICs) are located in Borden-Carleton, Brackley, Cavendish, Charlottetown, Pooles Corner, Portage, Souris, Summerside and Wood Islands. Due to the consistent growth of the spring and fall shoulder seasons, the centres opened in mid-May and remained open until mid to late October. The Charlottetown and Borden-Carleton (Gateway) VICs continue to operate on a year-round basis.

The Borden-Carleton Visitor Information Centre, located in the heart of Gateway Village continues to be a very proud and strong venue from which to welcome visitors to our wonderful province. Since opening its doors to visitors in 1997, the VIC staff have greeted approximately 70,000 parties annually. Total visitation to the provincial Visitor Information centres during the 2000-2001 season exceeded 225,000 parties.

The operation of the Cavendish and Borden VICs continues to be a successful partnership between the province and Parks Canada. Approximately 8,500 parties were greeted by the three students and one manager at the Brackley VIC. The Cavendish VIC played host to approximately 43,000 parties. This location employs 12 students, one casual and a manager.

The sale of Tourism PEI branded merchandise – sweatshirts, golf shirts, tees, ball caps, etc. – has proven to be in great demand to the travelling public. The merchandise crested with the Prince Edward Island Tourism logo was sold at five of the Visitor Information centres as well as at a variety of quality retail outlets throughout the province.

Northumberland Ferries has been instrumental in the continued existence of the Caribou VIC. Operating out of the ferry terminal building, Caribou exists as an extension of the Wood Islands VIC. This satellite location services over 14,000 parties during the months of July and August alone.

Provincial Parks

In 2000-2001, 38,141 campsites were sold in PEI's Provincial Parks representing a slight decrease from the previous year. However, Provincial Park visitation has been able to maintain positive growth trends realized since the opening of the Confederation Bridge in 1996.

This year, Provincial Parks were pleased to host a major recreational vehicle (RV) rally on the Island. From August 24 to 26, Cabot Beach Provincial Park hosted the Family Motor Coach Association (FMCA) Northeast Rally. Provincial Park staff worked closely with the event Host Committee to attract over 600 RVs from around North America to the rally. Based on the positive feedback from rally participants, Provincial Parks will be exploring further opportunities in this growing market.

In a continuing effort to improve park infrastructure, various initiatives were undertaken in designated campgrounds and day-use parks throughout the provincial park system during the fiscal year. As in the past, Provincial Parks coordinated a summer program staff who delivered a number of quality programs and lifeguard services to park visitors.

Brookvale Provincial Ski Park had an outstanding winter in 2000. Exceptional snow conditions allowed Brookvale to be fully operational from late December until late March, representing one of the parks longest seasons to date. Winter programming at Mill River Provincial Park also experienced a strong season.

Golf Links PEI Inc.

2001 was a very successful year for golf with outstanding weather. However, the season got off to a slow start with many Island courses not opening until late May.

The highlight of the year in golf was the readers of *Score* magazine voting Prince Edward Island as Canada's Number One Golf Destination. This achievement is the culmination of 10 years of hard work developing the Island's golf product. The public and private courses that make up Golf PEI deserve credit for the fine job that they have done in marketing Island golf.

In 2000 Golf Links PEI staged the Lorie Kane Island Challenge with Lorie Kane, Nancy Lopez, Annika Sörenstam and Se Ri Pak. The hugely successful event was broadcast nationally by The Sports Network (TSN) and re-broadcast in the U.S. market on The Oxygen Network. The Lorie Kane Island Challenge highlighted the Island as a golf and tourism destination.

Confederation Trail

On the 31st of July, seven years after it began, the project to convert former rail corridors on PEI fulfilled its principal objective by connecting the developed trail from tip-to-tip. The concept was new to the province when it began but through a process of communication and education it gained acceptance in all areas. That process targeted communities, businesses, organizations and institutions as well as the general public to support a new link between communities across the Island. That commitment to build and use the trail was intended to sustain the product into the future. Sections of the trail open for use are: Tignish to Elmira, Emerald to Borden-Carleton, Royalty Junction to Charlottetown, Mount Stewart to Georgetown, Cardigan Junction to Montague, Harmony Junction to Souris and Murray River to Murray Harbour, a total of 357 kilometres.

Goals for trail management are:

- to promote rural economic development through promotion of green tourism and soft outdoor adventure;
- to provide a variety of recreational opportunities to the public;
- to ensure trail uses complement adjacent land use; and
- to develop partnerships in the management of the corridor with community groups.

Trail maintenance has been the focus of considerable attention and some experimentation during the year to find optimum methods to achieve the quality demanded by trail users. The program is being developed through the Maintenance Division of the Department of Transportation and Public Works.

Three major events marked the trail season. In the spring the Trans Canada Trail and ParticipAction sponsored the Trans Canada Water Relay. In August the Last Spike Bike Tour with Canadian Olympian Curt Harnett celebrated the opening of the complete trail; and in October, the third TrailFest sponsored by Island Trails involved communities and schools in trail activities across the province.

A new provincial trail award was presented to an individual, a business and an organization dedicated to the success of the trail over the past few years. Awards were given to Elaine Smith of Hunter River, Doug Deacon of Mount Stewart and Gerry Martin of Tignish.

A new tip-to-tip trail map was issued at the beginning of the season signalling a completed trail product for Tourism PEI. The map was very well received and the entire printing was exhausted within 10 months. Tip-to-tip quests were very popular on an individual basis during the season with most participants achieving the goal by bicycle.

Development Programs

In the face of the loss of long-standing Federal support for tourism development, the Province established a number of new programs this past year. Specifically,

- Tourism Investment Fund – This program supports the development of new or existing tourism products. The program is available to industry or sectoral associations. Projects are evaluated on their tourism potential.
- Reunion Program – Family, business and other types of reunions have always been popular in Prince Edward Island. The Reunion Program provides support for organizers to bring reunions to the Island.
- Quality Renewal – This program encourages tourism operators to use professional services when upgrading their operations. The program cost-shares the cost of professional designers such as photographers, web page designers and landscape architects.
- Strategic Development – Tourism PEI supports the development of strategic new tourism products in the areas of heritage and culture, festivals and events, meetings and conventions and cruise ship development.

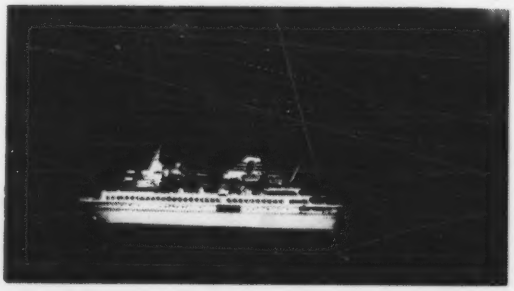
Festivals and Events

Tourism PEI continued to provide consultive and funding support to approximately 35 festivals and events across Prince Edward Island. This past year, Tourism PEI partnered with local communities to present the Last Spike Bike Tour celebrating and commemorating the completion of the Confederation Trail.

Tourism PEI worked closely with Festivals and Events PEI to enhance the marketing efforts and professional development of the fast-growing festivals and events sector.

Cruise Ship Development

The cruise ship market remains one of the fastest growing segments of the global tourism industry. Cruise lines around the world continue to expand the diversity and size of their fleets. Tourism PEI, in partnership with the Capital Commission of PEI, leads the development of this sector. The City of Summerside has also expressed interest in the cruise ship industry.



In 2000, 18 ships docked in Charlottetown for their Island visit, resulting in close to $1 million in economic impact for the province. This represented an increase of two ship visits over the previous year and a 125 per cent increase in cruise ship traffic since 1998.

Tourism PEI remains an active member of the Atlantic Canada Cruise Association (ACCA). The mandate of ACCA is to foster the development of cruise ship activity in the four Atlantic Provinces. PEI's involvement in this association allows us to benefit from ACCA's targeted marketing approach with cruise line executives and the travel trade to create greater awareness for not only Atlantic Canada, but also PEI, as an exciting cruise destination.

Employee Convention Hosting Opportunities

The Employee Convention Hosting Opportunities program has been in operation for just over a year and has proven to be very successful. This is a joint program with Meetings PEI and Tourism PEI whose role is to work with public servants, encouraging them to invite meetings to PEI, and assist with the organization of these meetings by utilizing the many resources for support such as those available through Meetings Prince Edward Island and Tourism PEI.

In year one, ECHO assisted in 61 confirmed meetings. Twenty of those 61 meetings were held in 2000 equalling $1 million. And, 53 of those 61 meetings were new to Meetings PEI stats, totalling 5,312 delegates generating $4.38 million.

Industry Standards

The quality of PEI's products and services is essential to the long-term health of the tourism industry. The *Tourism Industry Act* sets out the operating standards for PEI tourism operators.

On an annual basis, every accommodation operator is inspected to ensure that his or her property complies with the standards set out in the act. Tourism PEI contracts with Quality Tourism Services (QTS) to inspect all properties on its behalf. QTS employs professionally trained inspectors who are knowledgeable in the requirements of the act. In addition to their inspection duties, QTS staff counsel new tourism operators on the requirements to open and operate an accommodation property.

Tourism PEI is confident that its standards are comparable to any in the country and that visitors to the Island will be satisfied with their choice. Surveys confirm a higher degree of satisfaction with Island accommodations which benefits the Island's reputation as a premier tourism destination.

Marketing Division Activity

The overall objective of the Marketing Division is to promote Prince Edward Island as a premier, multi-seasonal vacation destination to our target markets.

The division is responsible for the publication of provincial tourism literature and distribution, travel industry sales, publicity, advertising and promotion. The division works very closely with the Tourism Marketing Authority (TMA). In partnership with the TMA, the division seeks to increase revenue through increased visitations from pleasure visitors.

The secondary objective of this division is to continually increase and improve the co-op advertising opportunities available to the tourism industry. Co-op advertising includes a matching of private and public sector funds for marketing purposes.

Tourism PEI is a partner in the Atlantic Canada Tourism Partnership (ACTP) which merges two levels of government and the region's private industry. The partnership allows the province to reach strategic long-haul markets in the United States, Europe and Japan. In addition, Tourism PEI continually seeks to partner with the Canadian Tourism Commission (CTC) in core CTC programs and initiatives.

Tourism Marketing Authority

The Tourism Marketing Authority is a 12-member, private-sector board co-chaired by the Deputy Minister of Tourism. The members represent various sectors of industry such as crafts and seasonal retail, cottages and campgrounds, etc. All marketing strategies and programs are vetted through TMA for approval. The Tourism Marketing Authority's Working Group is made up of private-sector individuals active in marketing in PEI as well as managerial staff from the Marketing Division of the Department of Tourism. They advise Tourism PEI on more detailed aspects of the annual marketing campaign.

Advertising and Publicity

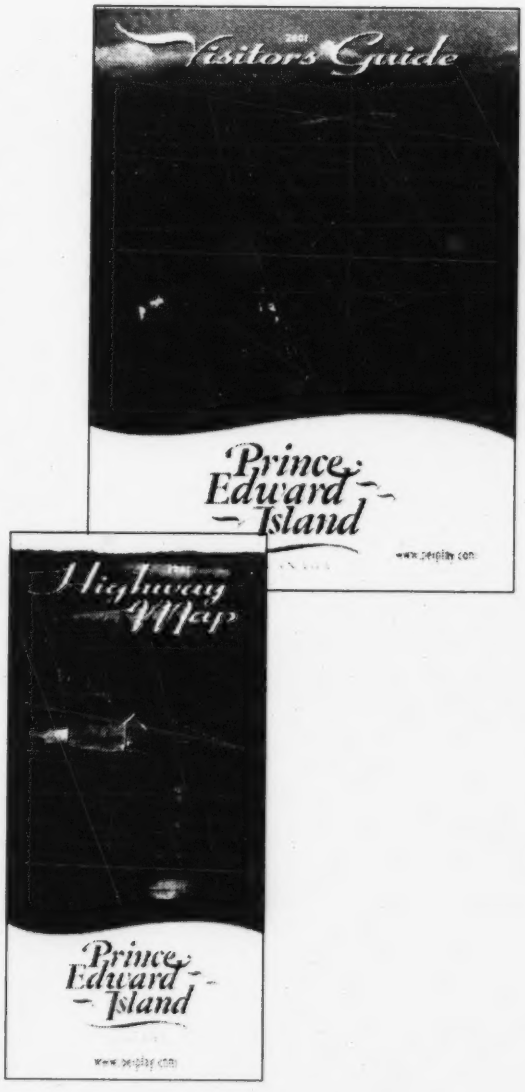
The Advertising and Publicity section of Tourism PEI handles all aspects of the advertising campaign and is the primary liaison with the Advertising Agency of Record. The advertising campaign invests more than $3 million in various media (TV, newspaper, magazine, on-line and direct mail) in the target markets of Atlantic Canada, Quebec, Ontario and New England. As well staff organize and support special prize promotions as well as an extensive publicity/editorial program.

Co-op Opportunities

Each year private-sector tourism operators are invited to participate in Tourism PEI's marketing campaign. Co-op advertising generally features packages or special offers from local businesses and may be placed in publications such as Yankee Travel Guide, AAA/CAA publications or regional newspapers. As well, Web advertising space may be offered on a co-op basis. These advertising opportunities are sold to the Island tourism industry members by a local company affiliated with the agency of record. The industry invests as much as $1 million annually with Tourism PEI's marketing campaign.

Fulfilment

In direct response to the marketing campaign, more than 150,000 vacation planning kits are sent out each year. The publications include a 200-page Visitors Guide (French and English), map, coupon book and vacation package brochure as well as customized envelopes and personalized cover letter and seasonal brochures in spring and fall. All publications are designed and produced in-house and the mailing/distribution is handled from our distribution centre the West Royalty Industrial Park. As well, distribution staff stock the Visitor Information centres with department-produced literature as well as private-sector materials.



Trade and Sales

The Trade and Sales section is responsible for generating independent and group sales of PEI vacation product through all travel trade channels. This includes domestic and international travel agents, tour operators, tour wholesalers and receptive tour operators. While working with the travel trade from around the world, this section focuses primarily on North America, Japan, Germany and the UK.

This three-person sales force deals with all types of travel trade activity and leads PEI delegations on sales missions, attends domestic and international marketplaces, and represents the interests of the Island tourism industry at regional and national tourism meetings.

Corporate Services Activity

Corporate Services provides support to Tourism PEI for all financial, information technology and personnel issues. The major responsibilities of the division include: budget preparation, expenditure monitoring and forecasting, staffing, classification, payroll, staff development, other employee-related programs, communications and MIS/computer support. Additional responsibilities such as records management, insurance coordination and office administration are also carried out by the division.

Information Technology Support

The Information Technology (IT) Support for the department consists of direct support for computerized systems in the ministry, including provincial golf courses, Visitor Information centres and provincial parks on a seasonal basis.

Human Resources

The Human Resources section of this division tends to be driven by the staffing process for vacant positions and the regular payroll processing; however, global issues such as training, management progression, succession planning and wellness are taking up increasing resources.

Financial Services

Financial Services comprises the day-to-day fiscal management of the ministry, the annual budget process and quarterly forecasts.

Communications

Reporting directly to the Deputy Minister, the Communications section assumes responsibility for planning, implementing and evaluating a broad range of communication activities and programs for the department.

Primarily this section provides strategic communications support to the Minister, Deputy Minister and senior staff regarding communications issues, initiating strategic internal and external marketing, communications, community outreach programs and legislative briefing.

Policy, Planning and Research Division Activity

Created this year, the Policy, Planning and Research division is responsible for the coordination and development of Tourism PEI's corporate planning, public policy and research initiatives.

The division's primary objective is to assist Tourism PEI to make informed decisions regarding tourism initiatives.

Pertaining to corporate planning, the division's role is to provide leadership and direction to the corporation and to facilitate a process which will allow the corporation to map out its future direction. In the coming year, the division will take the lead role in the development of a corporate strategic plan. The strategic plan will allow the corporation to channel its resources with the aim of achieving certain goals and objectives.

The division is responsible for formulating and providing analytical support and advice to the corporation on public policy matters. The division is also responsible to assess, review and develop corporate policies and to advise and assist senior management on policy initiatives.

The division has the lead role in designing, conducting and analyzing quantitative and qualitative research projects. The division is responsible for the ongoing tracking of industry performance, global trends and shifts in key market areas. The division is also responsible to provide professional advice and assist with program evaluation.

As part of its core research initiatives, the division conducts an annual exit survey which includes in-depth analysis of nonresident visitations, visitor profiles and visitor expenditures for the mid-May to October tourism season. This year's report entitled *Economic Impact: Tourism 2000* is designed to provide insights into a wide variety of visitor information, including:

a) visitor origins;
b) age;
c) employment status and income;
d) education;
e) party type and size
f) primary purpose of visit;
g) travel motivators;
h) trip planning process;
i) mode of travel;
j) length of stay;
k) main overnight destination;
l) main type of accommodation used;
m) "day trip" travel patterns while visiting;
n) activities experienced; and
o) expenditures by key expenditure categories.

Another core research initiative is to conduct a conversion study. The primary objectives of this research are to determine the percentage of people who called Prince Edward Island's toll-free number (or requested tourism literature online) that actually vacationed in Prince Edward Island in 2000 and to determine which elements of the advertising campaign performed better.

Secondary objectives of this research initiative are to determine:

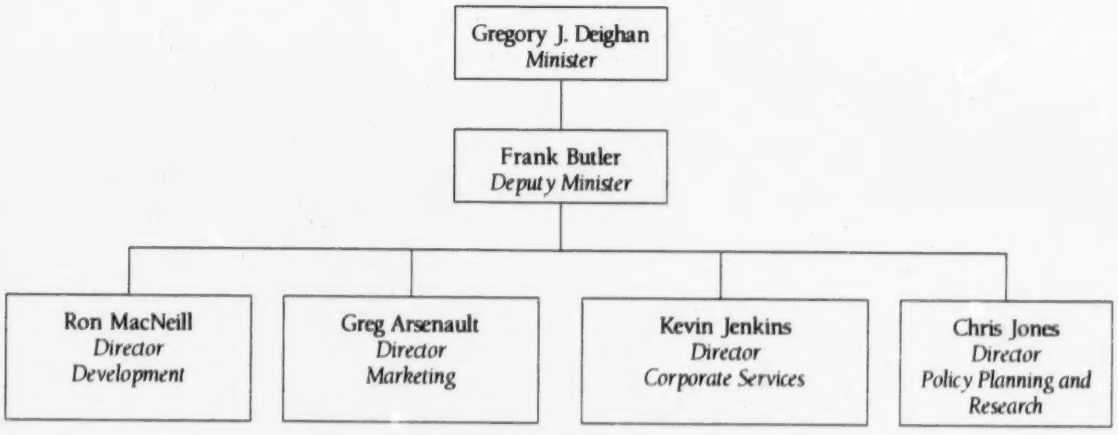
- the "state of mind" of the toll-free callers at the time they called the 1-888 number and requested information about Prince Edward Island;
- visitor information callers' degree of satisfaction with Prince Edward Island's fulfilment package;
- why callers may have rejected Prince Edward Island as their pleasure travel destination; and
- visitor information converted caller demographic and travel characteristics including party composition, mode of travel, age, household income and employment status.

Additional research initiatives for the coming year will include the development of a statistical monitoring system to track statistical indicators. This system will allow the corporation to track data on a more timely basis and aid in identifying developing trends in the industry.

In cooperation with the Tourism Industry Association of PEI, the corporation will conduct a pilot project to collect occupancy reporting information from accommodation operators. This information will allow operators and the industry as a whole to assess occupancy rates. The results will also be used to supplement the exit survey information by providing useful information to determine where tourists are coming from, where they are staying overnight in the province and the type of accommodation used.

Appendix A

Departmental Organization Chart



Appendix B

Legislative Responsibilities

Acts

Highway Advertisements Act (until repealed)
Liquor Control Act
National Park Act
Recreation Development Act
Roadside Signs Act (when proclaimed)
Tourism Industry Act
Tourism PEI Act
Trails Act

Boards/Commissions/Agencies

Confederation Trail Advisory Committee
Golf Links Prince Edward Island Inc.
Tourism Marketing Authority
Tourism PEI Board
Marketing Arbitration Board

Appendix C

Tourism Economic Impact 2000

1. An Island Summary

For the past nine years, Tourism PEI has conducted an annual collection of travel data. The most current methodology includes:

a) intercepts of visitors exiting Prince Edward Island at the ferry, bridge and airport;
b) a quantitative follow-up telephone survey of pleasure and business visitors who depart via private motor vehicle and air;
c) a quantitative, in-person survey of visitors travelling via commercial touring motorcoach;
d) a quantitative survey of Japanese visitors using self-completed questionnaires; and
e) vehicle and passenger counts supplied by Strait Crossing Bridge Ltd., Northumberland Ferries Ltd., Charlottetown Airport Authority Inc., and motorcoach and Japanese accommodation operators.

A process of synthesis and analysis is then applied to the data, and summary estimates and descriptive statistics covering visitations, visitor profiles and visitor expenditures are published as an annual report. Economic Impact: Tourism 2000 is the ninth edition of Tourism PEI's annual analysis, and covers the period May 15 to October 31, 2000.

During this period, it is estimated that a total of 1.18-million pleasure and business visitors spent a total of $301.1-million while vacationing or conducting business in Prince Edward Island (Exhibits 1 and 2).

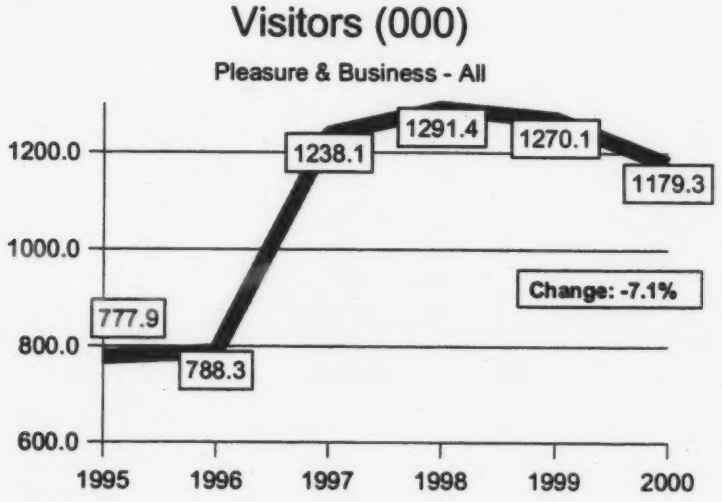


Exhibit 1

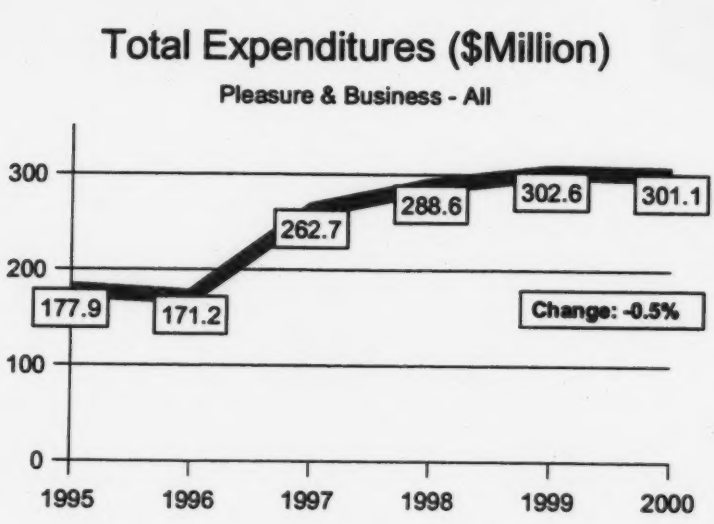


Exhibit 2

Overall, Prince Edward Island experienced a net visitor decline of 7.1% — approximately 90,800 visitors — compared to 1999. A strong 13.1% increase in motorcoach visitors was offset by a 6.9% decrease in pleasure private motor vehicle (PMV) and air visitors, and a 24.1% decrease in business PMV and air visitors (Exhibits 3, 4 and 5).

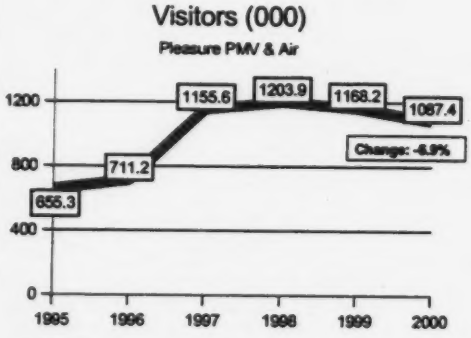


Exhibit 3

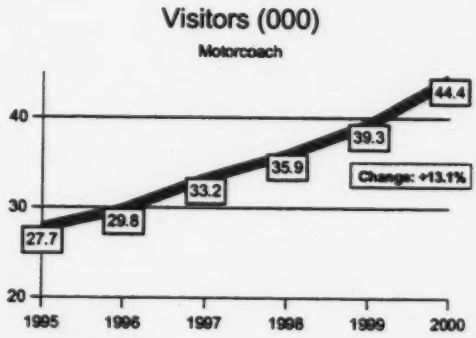


Exhibit 4

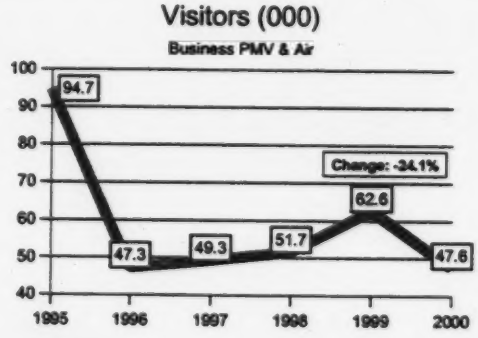


Exhibit 5

In 2000, pleasure PMV and air accounted for 92% of all visitors. For analysis purposes, visitors to Prince Edward Island are profiled in one of ten visitor origin regions shown below.

1. Newfoundland	2. Nova Scotia	3. New Brunswick	4. Quebec	5. Ontario
6. Other Canada	7. New England (U.S.A.)	8. Mid Atlantic (U.S.A.)	9. Other U.S.A.	10. International

Based on these visitor origins, visitation rankings for 1999 and 2000 are summarized in Exhibits 6 and 7.

	Visitors (000) Million		
	1999	2000	% Chg
Newfoundland	35.4	32.6	-8.1
Nova Scotia	239.6	211.9	-11.6
New Brunswick	121.3	128.9	+6.3
Quebec	100.0	77.1	-22.9
Ontario	306.5	271.4	-11.5
Other Canada	80.4	84.5	+5.0
New England	87.7	102.1	+16.3
Mid Atlantic	50.7	64.2	+26.7
Other USA	115.5	90.3	-21.8
International	31.0	24.5	-21.0
Exhibit 6			-6.9

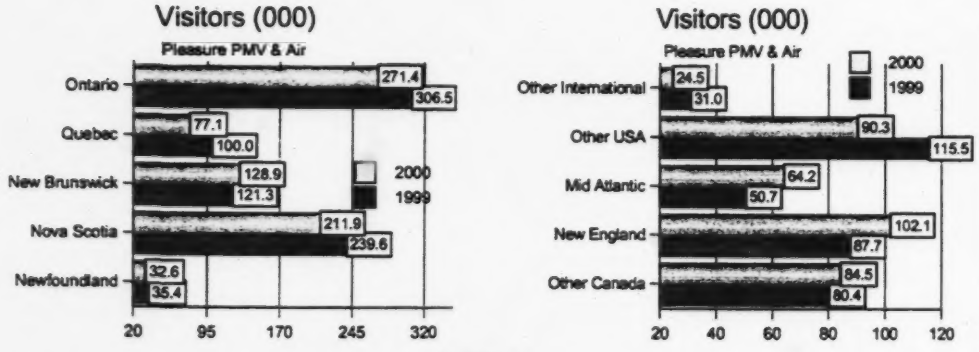


Exhibit 7

Decreases in pleasure PMV and air visitations in 2000 have been attributed to a number of factors, including:

a) inclement weather in Prince Edward Island;
b) high gasoline prices;
c) the Tall Ships celebration in Nova Scotia;

d) A continuation of Quebec's strong stay-at-home promotional efforts; and
e) the presidential election in the United States.

Increases in pleasure PMV and air visitations have been attributed to:
a) increased marketing in the New England and Mid Atlantic states; and
b) a partial recovery in visitations from New Brunswick.

Business PMV and air visitations declined 24.1% in 2000 following a 21.2% increase in 1999. Some of the decrease in 2000 can be attributed to:
a) inclement weather impacting short-haul (ie: Nova Scotia/New Brunswick) business/golf visitations; and
b) a strong meetings and convention market in 1999 that was not sustained in 2000.

Motocoach visitations increased 13.1% in 2000 over 1999, continuing an upward growth trend of more than five years. This continued growth can generally be attributed to a combination of: a) motorcoach marketing; b) PEI's appeal as a motorcoach destination; and c) the value of the U.S. dollar in Canada.

In 2000, it is notable that total expenditures were on par with 1999 despite the decrease in PMV and air visitations as well as a decrease in average length of stay. This is due to an increase in average party expenditure. Factors attributed to this increase include:
a) general price increases on-Island;
b) an increase in U.S. party market share from 22% in 1999 to 24% in 2000;
c) a decline in the percentage of pleasure parties that stayed in non-paid accommodations; and
d) an increase in party market share among higher income pleasure parties (Exhibit 8).

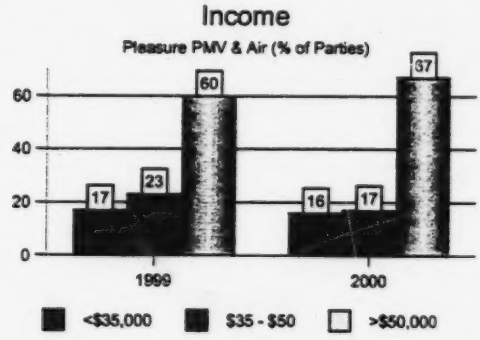


Exhibit 8

For 2000, the overall impact may be attributed to a larger share of parties with higher discretionary incomes, and a larger share of parties staying in paid accommodations with associated expenditures.

Each year, the follow-up telephone survey contains a "main overnight destination" question to identify the primary region where travel parties stayed. The results for 2000 are summarized in Exhibit 9 on the next page. Due to the small number of responses in most regions, results are sensitive to year-to-year volatility in share of market. In these cases, readers may find the direction of movement over three or four years more meaningful.

	PMV & Air - "Main Overnight Destination" - Visitors (%)				
	Pleasure Only			Pleasure and Business	
Tourism Region	1996	1997	1998	1999	2000
Beaches	6	5	5	6	5
Cavendish	20	24	26	25	22
Charlottetown	35	29	30	32	34
Eastern Kings	4	3	4	4	7
Evangeline	2	2	2	1	1
Kensington	4	3	4	3	2
New London	4	2	2	1	1
Southern Kings	2	4	5	6	5
South Shore	2	4	5	4	4
Summerside	15	11	10	10	9
West Prince	4	5	4	3	3
Did not overnight	3	8	5	3	4

Note: To provide a better measure of total "main overnight destination" visitations, both pleasure and business visitors were reported starting in 1999. Comparable data is not available prior to 1999.

Exhibit 9

Historically, visitations to a region have been measured by "main overnight destination," ignoring visitors who make a day trip during their stay to a part of the Island that is not the "main overnight destination." This year, a question was added to the follow-up telephone survey that would provide some measure of day trip patterns. Exhibit 10 is a summary of the percent of pleasure and business PMV and air visitors who are estimated to have visited selected tourism regions on day trips in 2000.

Pleasure and Business PMV and Air - 2000 Estimate of Day Trip Visitations from Visitors Overnighting Outside Region		
	% of All Visitors	Number of Visitors (000)
West Prince/Evangeline	25.7	291.7
Summerside	39.5	448.3
South Shore	36.6	415.4
North Shore	41.3	471.0
Charlottetown	45.7	518.7
Eastern Kings	28.1	318.9
Southern Kings	38.6	438.1

Exhibit 10

Visitor satisfaction questions were introduced in the follow-up telephone survey in 1999 and these questions were continued in 2000 (Exhibits 11 and 12). In 2000, the number of visitors whose experience exceeded their expectations increased to 42% from 39% in 1999. In terms of overall satisfaction, the numbers between 1999 and 2000 were very similar with approximately 70% reporting that they were "very" satisfied with their visit. Overall, visitors to Prince Edward Island continue to rate their visit very highly.

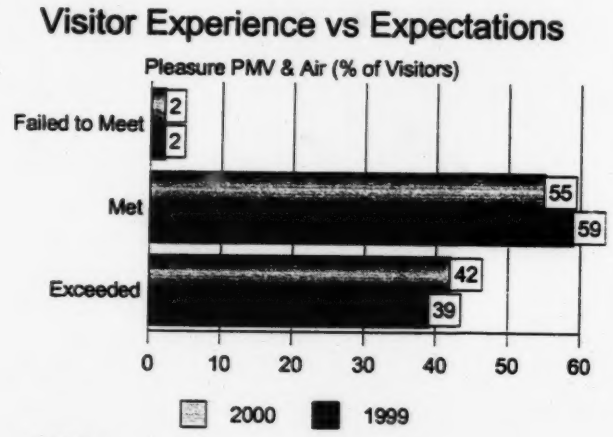


Exhibit 11

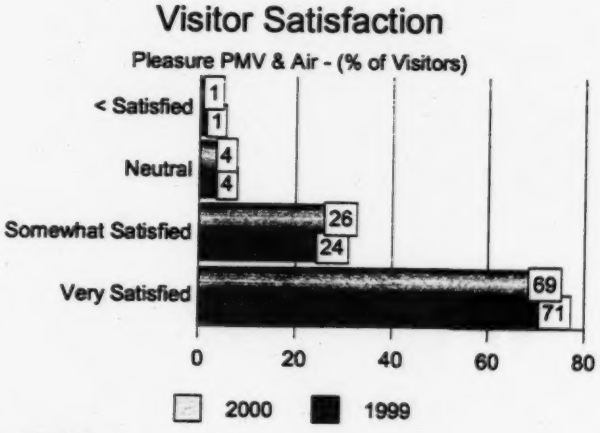


Exhibit 12

Finally, Exhibit 13 on the next page summarizes visitations to Prince Edward Island between May 15 and October 31, 2000. A total of 18 cruise ships visiting Charlottetown in 2000 with an estimated 9,584 passengers are not included in this summary due to a lack of comprehensive research data. For estimation purposes, the Atlantic Canada Cruise Association currently uses an expenditure factor of $110 per passenger which reflects port fees and direct spending by both passengers and crew.

Visitation and Expenditure Estimates: May 15 - October 31, 2000										
Segment	% Visitors		Number of Visitors		Mean Travel Party Size		Number of Travel Parties		Total Expenditures ($ Million)	
	2000	1999	2000	1999	2000	1999	2000	1999	2000	1999
Pleasure PMV & Air										
Newfoundland	3.0	3.0	32,560	35,426	3.7	3.7	8,800	9,575	$11.2	$9.3
Nova Scotia	19.5	20.5	211,902	239,596	3.5	3.4	60,543	70,469	$33.4	$42.2
New Brunswick	11.9	10.4	128,936	121,330	3.3	3.6	39,072	33,703	$20.0	$19.2
Quebec	7.1	8.6	77,087	99,959	3.0	2.9	25,696	34,469	$20.1	$24.1
Ontario	25.0	26.2	271,390	306,542	3.0	2.9	90,463	105,704	$70.8	$77.1
Other Canada	7.8	6.9	84,479	80,427	3.0	2.8	28,160	28,724	$20.2	$19.3
New England states	9.4	7.5	102,079	87,742	2.9	2.9	25,300	30,256	$27.4	$24.7
Mid Atlantic states	5.9	4.3	64,204	50,669	3.2	2.7	20,064	18,766	$18.5	$14.9
Other U.S.A.	8.3	9.9	90,287	115,508	2.7	2.9	33,440	39,831	$27.3	$27.5
International	2.3	2.7	24,499	31,022	2.4	2.7	10,208	11,490	$8.2	$8.3
Total Pleasure PMV & Air	92.2	92.0	1,087,424	1,168,221	3.1	3.1	351,645	382,987	$257.0	$266.6
Motorcoach	3.8	3.1	44,394	39,262	2.1	2.0	21,140	19,631	$23.0	$16.7
Business PMV & Air	4.0	4.9	47,525	62,641	1.8	2.2	25,679	28,473	$21.1	$19.2
Total	100	100	1,179,343	1,271,124	3.0	2.9	398,464	431,005	$301.1	$302.6

Exhibit 13

Appendix D

Financial Results

The following schedule compares budgeted revenues to actual results for fiscal year 2000-2001.

In addition, audited financial statements for Tourism PEI and Golf Links PEI Inc., are attached.

Department of Tourism
Summary of Revenue
for the Year Ended March 31, 2001

	2000-2001 Estimates	2000-2001 Actual
Golf Links PEI Inc. (Net)	265,000	<704,179>
Tourism PEI		
Provincial	895,400	1,230,682
Federal	64,900	161,880
	960,300	1,392,562
Total Revenue	1,225,300	688,383

Appendix E

Financial Statements

Audited Statements for Tourism PEI and Golf Links PEI Inc.

PRICEWATERHOUSECOOPERS

Tourism PEI

Non-consolidated Financial Statements
March 31, 2001

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
Chartered Accountants
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Canada C1A 7L1
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April 27, 2001

Auditors' Report

To the Minister of Tourism

We have audited the non-consolidated balance sheet of **Tourism PEI** as at March 31, 2001 and the non-consolidated statements of earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these non-consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the non-consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the non-consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these non-consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles, except they are prepared on a non-consolidated basis, as explained in note 2.

Pricewaterhousecoopers LLP

Chartered Accountants

PricewaterhouseCoopers LLP is a Canadian member firm of PricewaterhouseCoopers International Limited, an English company limited by guarantee.

Tourism PEI

Non-consolidated Balance Sheet

As at March 31, 2001

	2001 $	2000 $
Assets		
Current assets		
Cash	1,179,611	1,081,457
Accounts receivable	1,015,628	846,945
Prepaid expense	691	-
	2,195,930	1,928,402
Production costs, less accumulated amortization of $180,500 (2000 – nil)	181,517	362,017
Investment in subsidiary	100	100
	2,377,547	2,290,519
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	965,291	620,918
Due to the Province of Prince Edward Island (note 3)	1,231,756	1,008,601
Deferred revenue	-	300,000
Current portion of long-term debt	180,500	180,500
	2,377,547	2,110,019
Long-term debt, less current portion (note 4)	-	180,500
	2,377,547	2,290,519

Approved by the Corporation

_____ Minister

PRICEWATERHOUSECOOPERS

Tourism PEI

Non-consolidated Statement of Earnings

For the year ended March 31, 2001

	2001		2000
	Budgeted (Unaudited) $	**Actual $**	**Actual $**
Revenue			
Grants from Province of Prince Edward Island	8,817,500	8,879,062	9,436,383
Tourism Marketing Authority	2,061,280	1,665,115	1,399,472
Brookvale Ski Park	220,000	325,795	183,081
Provincial Parks	545,400	723,019	655,623
Visitor Services	130,000	142,935	137,296
Licensing fees	-	114,638	119,859
Interest and miscellaneous	-	38,933	67,513
	11,774,180	11,889,497	11,999,227
Expenses			
Administration	832,300	735,107	819,284
Tourism Marketing Authority	4,941,280	4,073,766	4,270,095
Brookvale Ski Park	380,500	411,365	402,963
Provincial Parks	2,023,400	2,375,711	2,191,086
Visitor Services	681,500	717,240	1,260,223
Tourism Development	1,215,100	1,640,037	2,166,745
Tourism Marketing	1,403,400	1,572,497	687,761
Research	224,900	129,350	130,233
French Services	71,800	234,424	70,837
	11,774,180	11,889,497	11,999,227
Excess revenue for the year	-	-	-

Tourism PEI

Non-consolidated Statement of Cash Flows

For the year ended March 31, 2001

	2001 $	2000 $
Cash provided by (used in)		
Operating activities		
Excess revenue for the year	-	-
Item not affecting cash		
Amortization of production costs	180,500	-
	180,500	-
Net change in non-cash working capital items		
– increase in accounts receivable	(168,683)	(247,640)
– increase in prepaid expenses	(691)	
– increase in accounts payable	344,373	218,016
– increase in due to the Province of PEI	223,155	170,931
– increase (decrease) in deferred revenue	(300,000)	300,000
	278,654	441,307
Investing activities		
Decrease in investment in and advances to subsidiary	-	60,754
Increase in production costs	-	(362,017)
	-	(301,263)
Financing activity		
Repayment of long-term debt	(180,500)	-
Proceeds from long-term debt	-	361,000
	(180,500)	361,000
Net change in cash	98,154	501,044
Cash – Beginning of year	1,081,457	580,413
Cash – End of year	1,179,611	1,081,457

1 Status of the corporation

Tourism PEI became a Crown corporation effective March 31, 1999 under the Tourism PEI Act passed by the Government of Prince Edward Island on June 8, 1999. The objectives of Tourism PEI are to carry out tourism related activities of the Province of Prince Edward Island.

The financial results of the corporation are included in the public accounts of the Province of Prince Edward Island.

2 Summary of significant accounting policies

Due to the Province of Prince Edward Island

Current operations:

Excess revenue for the year for Tourism PEI is recorded as a reduction in Grants – Province of Prince Edward Island and as an amount due to the Province of Prince Edward Island.

Investment in subsidiary

Tourism PEI records the investment in its wholly-owned subsidiary, Golf Links Prince Edward Island Inc., using the cost method of accounting. These financial statements have been prepared for management purposes and, as a result, some users may require additional information concerning the operations of a subsidiary. Consolidated financial statements have been prepared.

Production costs

The costs related to the production of television commercials have been capitalized and are being amortized over the estimated useful life of the commercials. The production costs are amortized on a straight-line basis over two years, beginning in 2001, which is the fiscal period in which the commercial first aired.

Capital assets

Tourism PEI expenses capital assets in the period purchased.

The capitalization policy is under review in conjunction with the Province of Prince Edward Island's implementation of the new Public Sector Accounting Policy regarding tangible capital assets.

Revenue recognition

Grants from the Province of Prince Edward Island are recorded as revenue when received. Revenue from Tourism Marketing Authority activities is recorded when billed and revenue from park operations, services and fees is recorded when earned as services are provided. Excess revenue for the year is recorded as a reduction in Grants – Province of Prince Edward Island and as an amount due to the Province of Prince Edward Island.

Government grants funded by the federal government or a federal-provincial cost-shared agreement, received related to operations, are recorded as revenue in the period in which the related expenses are recorded. Unexpended amounts as at the year end are recorded as deferred revenue.

Expenses are recorded in the period in which the related goods and services are consumed except for Tourism Marketing Authority and program grants included in Tourism Development and Tourism Marketing expenses. Tourism Marketing Authority expenditures are recorded in the period the goods and services are acquired and a liability incurred. Program grant expenditures are recorded in the period in which the funds are approved for disbursement.

Vacation pay and pension liabilities

The staff of Tourism PEI are employees of the Province of Prince Edward Island. Direct costs for employees of the Province of Prince Edward Island allocated to Tourism PEI are charged to the company on a per-payroll basis. Since the staff are employees of the Province, accrued vacation pay and pension obligations are liabilities of the Province and not the company and no liability for these costs has been accrued by the company at March 31, 2001.

Management estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period.

Fair value of financial instruments

The Corporation has evaluated the fair value of its financial instruments based on the current interest rate environment, market values and the actual prices of financial instruments with similar terms. The carrying value of financial instruments is considered to approximate fair value.

3 Due to the Province of Prince Edward Island

	2001 $	2000 $
Current operations		
Excess revenue for the year	1,231,756	1,009,799
Accounts receivable – Province of Prince Edward Island	-	(1,198)
	1,231,756	1,008,601

4 Long-term debt

	2001 $	2000 $
6.25% loan from the Provincial Treasury of the Province of Prince Edward Island, due July 31, 2001, repayable in two instalments of $180,500 plus interest on July 31, 2000 and July 31, 2001	180,500	361,000
Less: Current portion	180,500	180,500
	-	180,500

The long-term debt is unsecured.

5 Condensed financial data of wholly-owned subsidiary

	2001 $	2000 $
Balance sheet		
Assets		
Current assets	275,287	366,789
Capital assets	9,011,327	1,632,017
Other asset	-	56,360
	9,286,614	2,055,166
Liabilities and Shareholders' Equity		
Current liabilities	1,275,499	482,165
Long-term debt, less current portion	7,805,293	663,000
Shareholders' equity and contributed surplus	205,822	910,001
	9,286,614	2,055,166
Statement of Earnings		
Revenue	4,963,628	4,631,753
Expenses	5,667,807	4,622,419
Net earnings (loss) for the year	(704,179)	9,334

Included in current assets is $9,876 (2000 - nil) in accounts receivable due from Tourism PEI.

6 Related party transactions

During the year, the company utilized office premises from a related Crown corporation, Prince Edward Island Business Development Inc., for nil consideration.

Tourism PEI utilizes the provincial parks, including Brookvale Ski Park, the provincial day parks and the full service campgrounds, as well as the Visitor Information Centres in carrying out its mandate. Tourism PEI pays nil consideration for utilizing these facilities.

Included in accounts payable and accrued liabilities is an amount of $9,876 (2000 – nil) due to Golf Links Prince Edward Island Inc.

Included in expenses is interest on long-term debt of $15,062 (2000 – $1,854) related to the debt payable to the Provincial Treasury of the Province of Prince Edward Island.

PRICEWATERHOUSECOOPERS

Golf Links Prince Edward Island Inc.

Financial Statements
March 31, 2001

PRICEWATERHOUSECOOPERS

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April 21, 2001

Auditors' Report

To the Shareholders of
Golf Links Prince Edward Island Inc.

We have audited the balance sheet of **Golf Links Prince Edward Island Inc.** as at March 31, 2001 and the statements of earnings, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

PricewaterhouseCoopers LLP is a Canadian member firm of PricewaterhouseCoopers International Limited, an English company limited by guarantee.

Golf Links Prince Edward Island Inc.

Balance Sheet

As at March 31, 2001

	2001 $	2000 $
Assets		
Current assets		
Cash	64,126	184,038
Accounts receivable (note 5)	29,274	63,482
Inventory	164,919	100,773
Prepaid expenses	16,968	18,496
	275,287	366,789
Capital assets (notes 3 and 5)	9,011,327	1,632,017
Other asset	-	56,360
	9,286,614	2,055,166
Liabilities		
Current liabilities		
Promissory note (note 4)	300,000	-
Accounts payable and accrued liabilities	394,792	111,165
Deferred revenue	-	150,000
Current portion of long-term debt	580,707	221,000
	1,275,499	482,165
Long-term debt, less current portion (note 6)	7,805,293	663,000
	9,080,792	1,145,165
Shareholders' Equity		
Capital stock		
Authorized and issued		
100 common shares of the par value of $1 each	100	100
Contributed surplus	78,114	78,114
Retained earnings	127,608	831,787
	205,822	910,001
	9,286,614	2,055,166

Approved by the Board of Directors

Director

Director

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Golf Links Prince Edward Island Inc.

Statement of Retained Earnings

For the year ended March 31, 2001

	2001 $	2000 $
Balance – Beginning of year	831,787	822,453
Net earnings (loss) for the year	(704,179)	9,334
Balance – End of year	127,608	831,787

Golf Links Prince Edward Island Inc.

Statement of Earnings

For the year ended March 31, 2001

	2001		2000
	Budget (Unaudited) $	Actual $	Actual $
Revenue			
Green fees	3,328,800	2,781,597	2,532,099
Memberships	391,400	370,492	408,451
Golf shop	1,030,000	1,004,430	807,434
Car rentals	633,800	553,321	538,570
Other rentals	176,000	130,277	136,904
Concessions	47,000	47,157	47,057
Interest income	2,500	43,829	29,838
	5,609,500	4,931,103	4,500,353
Expenses			
Wages and levies	2,045,595	2,245,355	1,832,169
Cost of golf shop merchandise	618,000	607,600	543,623
Grounds maintenance	375,718	387,608	352,040
Maintenance and repairs	304,687	353,363	351,053
Advertising and promotion	105,500	85,397	129,769
Association dues	6,700	5,612	5,630
Interest and bank charges	57,600	113,956	65,364
Dundarave lease (note 7)	635,000	652,361	578,639
Fire dues and property taxes	20,000	50,405	1,000
Gasoline and oil	34,500	45,551	34,375
Interest on long-term debt	113,200	225,100	20,888
Office	21,300	26,389	20,633
Power car rentals	2,000	-	33,750
Printing	42,100	10,288	39,808
Professional and consultants fees	44,000	50,349	108,495
Golf shop rent	136,000	135,615	72,245
Range Supplies	-	14,488	-
Tournaments	25,000	205	12,940
Uniforms	28,500	19,916	16,649
Telephone	75,000	59,852	51,537
Trade publications	4,000	307	680
Travel and training	42,000	41,075	40,725
Utilities	112,200	83,917	74,694
Vehicle operating	2,500	16,145	12,698
Amortization	493,400	436,953	223,015
	5,344,500	5,667,807	4,622,419
	265,000	(736,704)	(122,066)
Other income			
Gain on sale of capital assets	-	3,300	131,400
Special event – net	-	29,225	-
	-	32,525	131,400
Net earnings (loss) for the year	265,000	(704,179)	9,334

PRICEWATERHOUSECOOPERS

Golf Links Prince Edward Island Inc.

Statement of Cash Flows

For the year ended March 31, 2001

	2001 $	2000 $
Cash provided by (used in)		
Operating activities		
Net earnings (loss) for the year	(704,179)	9,334
Items not affecting working capital		
Amortization	436,953	223,015
Gain on sale of capital assets	(3,300)	(131,400)
	(270,526)	100,949
Net change in non-cash working capital items		
– decrease in accounts receivable	34,208	24,986
– decrease (increase) in prepaid expenses	1,528	(18,496)
– increase in inventory	(64,146)	(11,379)
– increase (decrease) in accounts payable	283,627	(80,649)
– increase (decrease) in deferred revenue	(150,000)	150,000
	(165,309)	165,411
Financing activities		
Increase in long-term debt	7,823,000	1,105,000
Increase in promissory note	300,000	-
Repayment of long-term debt	(321,000)	(221,000)
	7,802,000	884,000
Investing activities		
Purchase of capital assets	(7,816,263)	(1,539,775)
Proceeds on sale of capital assets	3,300	131,401
Decrease (increase) in other asset	56,360	(56,360)
	(7,756,603)	(1,464,734)
Increase in cash	(119,912)	(415,323)
Cash – Beginning of year	184,038	599,361
Cash – End of year	64,126	184,038

1 Corporate status

The company is a wholly-owned subsidiary of Tourism PEI, a Crown corporation, and is therefore a non-taxable entity. The objectives of the company are to maintain and operate the provincial golf courses.

2 Summary of significant accounting policies

The financial statements of the company have been prepared in accordance with generally accepted accounting principles. The following is a summary of significant accounting policies used in the preparation of these financial statements.

Inventory

Inventory is valued at the lower of cost, determined using the average cost method, and market. Market is defined as net realizable value.

Capital assets

Amortization of capital assets is calculated using the straight-line method at the annual rates as indicated in note 3.

Capital costs related to the construction of the playing areas of the Dundarave golf course are not amortized.

One-half the normal annual rate of amortization is recorded in the year of acquisition, except for the acquisition of the Dundarave golf course assets. The Dundarave assets were acquired subsequent to the closing of the current years operating season and payment of a full years operating lease. No amortization was taken during the year on the purchase of these assets. No amortization is taken in the year of disposal.

Management estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those reported.

Fair value of financial instruments

The company has evaluated the fair value of its financial instruments based on the current interest rate environment, market values and the actual prices of financial instruments with similar terms. The carrying value of financial instruments is considered to approximate fair value.

Government assistance

Government grants, funded by the federal government or a federal-provincial cost shared agreement, received relating to operations are recorded as revenue in the period in which the related expenses are recorded.

Vacation pay and pension liabilities

The staff of Golf Links Prince Edward Island Inc. are employees of the Province of Prince Edward Island. Direct costs for employees of the Province of Prince Edward Island allocated to Golf Links Prince Edward Island Inc. are charged to the company on a per-payroll basis. Since the staff are employees of the Province, accrued vacation pay and pension obligations are liabilities of the Province and not the company, and no liability for these costs has been accrued by the company at March 31, 2001.

3 Capital assets

	Amortization rate %	Cost $	Accumulated amortization $	2001 Net $	2000 Net $
Dundarave golf course		6,122,211	-	6,122,211	-
Land improvements and paving	10 - 20	345,467	7,063	338,404	19,203
Computer equipment and software	20	124,139	21,171	102,968	26,838
Power cars	20	1,002,802	361,526	641,276	753,836
Rental equipment	20	14,660	3,997	10,663	11,393
Equipment	10 - 20	1,912,434	297,473	1,614,961	678,192
Vehicles	20	51,823	19,005	32,818	26,203
Buildings	10	173,483	25,457	148,026	116,352
		9,747,019	735,692	9,011,327	1,632,017

4 Promissory note

The promissory note, due May 1, 2001, bears interest at 4.85% and is repayable to the Department of Provincial Treasury of Prince Edward Island. The note is unsecured.

5 Related party transactions

Golf Links Prince Edward Island Inc.'s parent, Tourism PEI, is a Crown corporation of the Province of Prince Edward Island. Included in accounts receivable is $9,876 (2000 – nil) due from Tourism PEI.

During the year, the company received a grant of nil (2000 - $150,000) funded by a federal-provincial cost shared agreement, to assist in funding a special event which was held in the 2001 fiscal year. This amount was recorded as deferred revenue in 2000 and is included in special event net revenue in the current year.

Included in interest expense is $279,807 in interest on debt from the Department of Provincial Treasury of Prince Edward Island.

The company rents three provincial golf courses from the Province of Prince Edward Island for nil consideration.

During the 1999 year, the Province of Prince Edward Island transferred capital assets utilized in maintenance and operation of the three provincial golf courses to Golf Links Prince Edward Island Inc. In accordance with the terms of the transfer, the exchange and carrying amounts of the capital assets was established as $1.

The company utilized office premises from a department of the Province of Prince Edward Island for nil consideration.

6 Long-term debt

	2001 $	2000 $
6.85% loan from the Department of Provincial Treasury of Prince Edward Island, due March 31, 2004, repayable $221,000 annually plus interest	663,000	884,000
6.73% loan from the Department of Provincial Treasury of Prince Edward Island, due March 31, 2005, repayable $35,000 annually plus interest	140,000	-
6.63% loan from the Department of Provincial Treasury of Prince Edward Island, due March 31, 2005, repayable $65,000 annually plus interest	260,000	-
6.19% loan from the Department of Provincial Treasury of Prince Edward Island, due December 7, 2005, repayable $615,312 annually including interest	6,950,000	-
5.72% loan from the Department of Provincial Treasury of Prince Edward Island, due March 31, 2006, repayable $74,600 annually plus interest	373,000	-
	8,386,000	884,000
Less: current portion	580,707	221,000
	7,805,293	663,000

The long-term debt is unsecured.

The aggregate amount of principal payments required over the next five years, assuming existing debt is refinanced at similar rates, to meet retirement provisions are as follows:

	$
Year ending March 31, 2002	580,707
2003	592,165
2004	604,333
2005	396,253
2006	309,973

7 Commitments

The Province of Prince Edward Island had entered into an 11-year lease to expire December 2008 with Brudenell II Inc. for Dundarave Golf Course. As the company operating the course, Golf Links Prince Edward Island Inc. had committed to make the lease payments on behalf of the Province. The lease cost according to the agreement was $635,000 per year with the lease payments commencing July 1, 1999.

Golf Links Prince Edward Island Inc. leased the course during the 2000 operating season and accordingly was required to pay the full lease payment for the 2001 fiscal year. On December 12, 2000, Golf Links Prince Edward Island Inc. purchased the Dundarave Golf Course from Brudenell II Inc. and the lease agreement was terminated at that time.

The minimum annual lease payments required over the next five years under operating leases for base rental of premises in Brudenell and Mill River expiring in August 2004 and 2075 are as follows:

	$
Year ending March 31, 2002	101,809
2003	101,809
2004	101,809
2005	25,453
2006	1

In addition to the base rentals, there is a requirement to pay the company's pro-rata share, based on rented space, of the operating costs including property taxes of the premises.